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23 November 1962

SUPPLY OF PETROLEUM IN COMMUNIST CHINA 1962



CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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SUPPLY OF PETROLEUM IN COMMUNIST CHINA
1962

It is estimated that total availability of petroleum products in Communist China in 1962 will be about 6.2 million metric tons,* or 7 percent less than the total availability of 6.7 million tons in 1959 (the last year for which published data are available). About 4.3 million tons of products (or 70 percent of the total) will be provided from domestic production, and the remaining 1.9 million tons, including all aviation gasoline and jet fuel, will be imported, principally from the USSR.

Total imports of products in 1962 probably will decline by almost 40 percent from the 1961 level, and the decrease is expected to occur primarily in imports of motor gasoline and diesel fuel. The small quantity of crude oil imported from Albania and the correspondingly small quantity of petroleum products exported to Albania are not expected to have a significant effect on the net product availability. Approximately 15 percent of the imported products in 1962 will be shipped by tanker from the Black Sea to the South China ports of Fort Bayard and Whampoa. The remainder, almost 1.6 million tons, will be imported by rail, primarily through the border points at Man-chou-li in Northeast China and at Chi-ning on the Mongolian border.

The level of petroleum supplies in 1962 is believed to reflect a reduced demand by the civilian economy, as there is no evidence of severe or unusual shortages of any products during the year. The total availability of petroleum products, by type of product and by origin, is shown in the table.

Although there has been no significant information on production of petroleum in Communist China since 1959, available evidence suggests that the petroleum industry, as opposed to some other industries, is emerging from the period of economic decline with some over-all

* Tonnages are given in metric tons throughout this publication.

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improvement in output. On the basis of the very limited amount of information available from all sources, the output of crude oil in Communist China in 1962 probably will be about 4.7 million tons, consisting of 3.4 million tons of natural crude oil and 1.3 million tons of synthetic crude oil (primarily shale oil). This estimate represents an increase of 1.0 million tons or 27 percent above the announced level of production of 3.7 million tons in 1959, but is short of the goal of 5 million to 6 million tons of petroleum for 1962, which was established in the original Second Five Year Plan.

In estimating production for 1962, output from the smaller petroleum facilities, including those established during the "leap forward," has been assumed to be negligible. The major sources of petroleum are believed to be essentially the same as in 1959, namely the oilfields at Yu-men, Karamai, and in the Tsaidam Basin as well as the shale oil plants at Fu-shun (not including, however, the new oilfield near An-ta in the Sung-Liao plain in Northeast China, which came into production in 1960). The shale oil plant at Mao-ming, which is not yet completed, is not credited with any production. The level of production in 1962 represents about 85 percent of the estimated total annual throughput capacity of 5.5 million tons for the existing refineries, including refining facilities at synthetic plants.

Imports of petroleum products, it is estimated, will decline from about 3.2 million tons in 1961 to about 1.9 million tons in 1962, a decrease of about 40 percent. In spite of the reduction in total imports, however, there will be no decrease in imports of aviation fuels and lubricants, nor is there any evidence of difficulty in obtaining required supplies. On the contrary, there is some evidence of a reluctance on the part of the Chinese to accept quantities of some products for which they had contracted.

It is estimated that the total amount of products received by sea will decline about 40 percent from about 440,000 tons in 1961 to about 270,000 tons in 1962. No diesel fuel and only a small quantity of motor gasoline will be imported by sea in 1962. The major portion of the water shipments consisted of lamp kerosine from the Black Sea port of Tuapse.

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The major portion of the 1.6 million tons of petroleum products being imported by rail from the USSR apparently is being received through the border station at Man-chou-li, and most of the rest is coming through Chi-ning. Small quantities of products, primarily aviation gasoline, are being received via Sui-fen-ho in Northeast China, and the limited amount destined for Sinkiang is coming directly into the province by truck and barge from the USSR by way of Turugart and I-ning.

The estimated total availability of petroleum products, although 7 percent less than the total availability in 1959, apparently has been adequate to meet both military and civilian requirements. In addition, the proportion of total supplies derived from domestic resources will increase from about 50 percent in 1959 to 70 percent in 1962. This apparent increase in the degree of self-sufficiency with respect to petroleum, however, probably results more from a decrease in demand, specifically civilian demand, than from a significant improvement in the output of the petroleum industry.

The current level of production is limited only by refining capacity probably could be increased by as much as 15 percent on a short-term basis if the necessity arose, but any further increases in demand would necessitate an increase in imports. Moreover, in spite of the apparent improvement in self-sufficiency, it is significant that Communist China remains totally dependent on imports for aviation gasoline, jet fuel, aviation lubricants, and other high-quality lubricants. Although China has the capability to produce some aviation gasoline and jet fuel, production of these fuels has thus far been undertaken only on a trial basis. Reports of the poor quality of such domestic products as motor gasoline, kerosine, and diesel fuel, even those produced at the new modern Lan-chou refinery, suggest that the current dependence on imports, particularly for aircraft fuels and other high quality products, will continue.

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Table

Communist China: Estimated Supply of Petroleum Products
1962

Product	Total Supply (Thousand Metric Tons)	Imports		Domestic Production	
		Thousand Metric Tons	Percent of Total Supply	Thousand Metric Tons	Percent of Total Supply
Aviation gasoline	60	60	100	Negl.	Negl.
Jet fuel	450	450	100	Negl.	Negl.
Motor gasoline	1,300	320	25	980	75
Kerosine	1,140	500	44	640	56
Diesel fuel	1,230	300	24	930	76
Lubricants	400	230	58	170	42
Residuals	1,600	Negl.	Negl.	1,600	100
Total	<u>6,180</u>	<u>1,860</u>	30	<u>4,320</u>	70

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Analyst:

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